

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name EUP Employment and Training Consortium	County Chippewa
Fiscal Year End June 30, 2007	Opinion Date October 2, 2007	Date Audit Report Submitted to State December 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

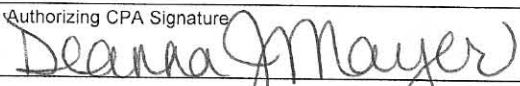
SE 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
			Zip 49788
Authorizing CPA Signature 		Printed Name Deanna J. Mayer	
		License Number 1101028546	

**EASTERN UPPER PENINSULA EMPLOYMENT
AND TRAINING CONSORTIUM**

BASIC FINANCIAL STATEMENTS

June 30, 2007

**EASTERN UPPER PENINSULA EMPLOYMENT
AND TRAINING CONSORTIUM**

APPOINTED OFFICIALS

Chairperson	Phyllis French
Vice Chairperson	Richard Timmer
Board Member	Nancy Morrison
Board Member	Carl Frazier
Board Member	Bernard LaJoie
Board Member	Dawn Nelson

ADMINISTRATION

Executive Director	Gwen Worley
Chief Fiscal Officer	Carol Murray

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

Independent Auditor's Report

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities and each major fund of the E.U.P. Employment and Training Consortium as of and for the year ended June 30, 2007, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of E.U.P. Employment and Training Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the E.U.P. Employment and Training Consortium as of June 30, 2007, and the respective changes in financial position where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Members of the Board
E.U.P. Employment and
Training Consortium

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2007, on our consideration of the E.U.P. Employment and Training Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the E.U.P. Employment and Training Consortium's basic financial statements. The accompanying information identified in the Table of Contents and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to basic financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2007

Management's Discussion and Analysis

Eastern Upper Peninsula Employment and Training Consortium

Management's Discussion and Analysis June 30, 2007

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Consortium as a whole and present a longer-term view of the Consortium's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Consortium's operations in more detail than the government-wide financial statements.

The Consortium as a Whole

The Consortium's combined net assets decreased 7.7% from a year ago, decreasing from \$69,566 to \$64,239. In a condensed format, the table below shows a comparison of the net assets as of the current date.

	Governmental Activities 2006	Governmental Activities 2007
Current Assets	\$ 229,801	\$ 320,833
Capital Assets	11,235	8,427
Total Assets	<u>\$ 241,036</u>	<u>\$ 329,260</u>
Current Liabilities	<u>\$ 171,470</u>	<u>\$ 265,021</u>
Total Liabilities	<u>171,470</u>	<u>265,021</u>
Net Assets		
Invested in Capital Assets	11,235	8,427
Unrestricted (Deficit)	<u>58,331</u>	<u>55,812</u>
Total Net Assets	<u>69,566</u>	<u>64,239</u>
Total Liabilities and Net Assets	<u>\$ 241,036</u>	<u>\$ 329,260</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Management's Discussion and Analysis
June 30, 2007**

The current level of unrestricted net assets for our governmental activities stands at \$55,812, or about 24% of expenses.

The following table shows the activities of the Consortium.

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2007</u>
Program Revenues		
Operating Grants	\$ 2,196,188	\$ 2,270,453
General Revenues		
Unrestricted Investment Earnings	922	2,468
Other Local Sources - General	<u>29,934</u>	<u>25,411</u>
Total Revenues	<u>2,227,044</u>	<u>2,298,332</u>
Program Expenses		
Administration	290,298	281,448
Supportive Services	102,987	118,508
Training Services	527,133	503,533
Direct Client Services	237,538	250,149
Information & Technology	24,152	24,756
Employment Services	123,632	85,878
Other Programmatic	172,138	251,895
Core Services	142,885	170,744
Intensive Services	167,236	190,184
In-School Youth	241,529	234,606
Out-of-School Youth	202,643	189,150
Depreciation – Unallocated	<u>2,808</u>	<u>2,808</u>
Total Expenses	<u>2,234,979</u>	<u>2,303,659</u>
Changes in Net Assets	(7,935)	(5,327)
Beginning Net Assets	<u>77,501</u>	<u>69,566</u>
Ending Net Assets	<u>\$ 69,566</u>	<u>\$ 64,239</u>

Governmental Activities

Facility

Michigan Works! Service Center continues to be located in the Sault Ste. Marie with satellite offices in Newberry and St. Ignace.

Personnel

The Consortium employs the following full-time positions: Executive Director, Executive Secretary, Chief Fiscal Officer, Administrative Fiscal Officer, and Management Information System Specialist. Part-time positions are Community Corrections Coordinator (15-20 hours per week), and Janitor (15 hours per week). A temporary position was added in March, MPRI Planner (25-30 hours per week) until September 30.

Grant Allocations for the period of July 1, 2006 though June 30, 2007 are as follows:

Workforce Investment Act (WIA) - Adult, \$506,410; Dislocated Worker, \$388,046; Youth, \$527,085. Overall, this year's allocations for these three grants increased 3.98% over the previous year. Local Administration supported by the three grants totaled \$142,154. An additional \$111,519 was carried-in from the previous year.

WIA Incumbent Worker's allocation of \$15,883 was a 28.8% decrease from the prior year.

WIA One Stop Service Center's allocation of \$55,000 increased \$15,000 or 37.5%.

WIA Capacity Building initial allocation remained the same \$24,000, an additional \$48,000 was awarded to purchase software license for web-based video interviewing.

Unchanged allocations – WIA Performance Incentive Award, \$15,143; WIA Statewide Youth, \$4,313; and WIA Displaced Homemaker, \$39,121.

Employment Services – \$96,019, a 32.06% decrease from the prior year, additionally \$14,238 was carried-in.

New grants: Disability Navigator Initiative, \$10,000; WIA 21st Century Workforce, \$55,000 and WIA Dislocated Worker Scholarship, \$15,889; totaling \$80,889.

Discontinued grants: Re-Employment Services, WIA Dislocated Worker National Reserve and Distance Learning; totaling \$79,620.

Eastern Upper Peninsula Employment and Training Consortium

Management's Discussion and Analysis June 30, 2007

Grant Allocations for the period of October 1, 2006 through September 30, 2007 were as follows:

Work First-TANF \$303,085; State GF/GP \$67,089. Overall, this year's allocations for the Work First Program decreased 16.6%. Reed Act although not funded was allowed to carry-forward, \$9,266.

Food Assistance-Program Operations, \$15,465; Supportive Services, \$1,500, resulted in a decrease of \$2,072 or 10 percent.

Corrections-Community Corrections \$127,000; Drunk Driver Jail Reduction \$2,279 Funding for both programs remained unchanged from the prior year.

The Consortium was named the fiduciary for a new planning grant, Michigan Prisoner Re-Entry Initiative Planning, \$41,400.

Original vs. Final Budget

Budgets for the General Fund, Operating, and the Strategic Planning Initiative were approved by the Administrative Board in June of 2006, prior to the beginning of the fiscal year. Adjustments were made in coordination with new grant revenues and line item expenditures. Final budgets were approved by the Administrative Board in June 2007.

Capital Assets

The Consortium's investment in capital assets decreased by \$2,808 during the fiscal year. This is summarized as follows:

	Balance 07/01/06	Additions	Deletions	Balance 06/30/07
Capital Assets	\$ 44,284	\$ -	\$ -	\$ 44,284
Less: Accumulated Depreciation	(33,049)	(2,808)	-	(35,857)
Net Investment Capital Assets	<u>\$ 11,235</u>	<u>\$ (2,808)</u>	<u>\$ -</u>	<u>\$ 8,427</u>

See Note 4 - Capital Assets later in the audit report for more detail.

Economic Factors and Next Year's Budget

Comparing this year's initial allocations to the coming year's initial allocations projections are: Workforce Investment Act (WIA), increase of \$167,934 (12.68%); Employment Services, reduction of \$1,152 (1.20%). The Consortium has been advised that funding for these programs may be reduced during the year. Money carried forward into the new year: WIA \$204,211 and Employment Services \$4,112.

The Consortium has been named the fiduciary for the Upper Peninsula's Michigan Prisoner ReEntry Initiative Program (MPRI) which begins October 1, 2007. Projected funding is \$630,000. The Consortium will hire a full-time employee as Community Coordinator to administer the program.

Disbursements for October 1st grants have been delayed due to the State's financial crisis.

WIA Displaced Homemaker and Dislocated Worker Scholarship, and Disability Navigator will be discontinued. Last year's allocations totaled \$65,010.

Health Insurance costs are projected to increase approximately 18%.

Interest for the upcoming year is projected to be between \$1,800 and \$2,000.

The Consortium will continue to work with our service providers to efficiently and effectively manage the fund available for workforce development.

Contacting the Consortium's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Consortium's office at: 1118 E. Easterday Avenue Sault Ste. Marie, Michigan, 49783 or (906) 635-1752.

Basic Financial Statements

Eastern Upper Peninsula Employment and Training Consortium

Statement of Net Assets June 30, 2007

	Primary Government Governmental Activities
ASSETS:	
Current Assets:	
Cash & Investments	\$ 219,170
Receivables:	
Grants	80,271
Accounts	3,530
Prepaid Expenses	17,862
Total Current Assets	320,833
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation)	8,427
TOTAL ASSETS	\$ 329,260
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 125,731
Accrued Liabilities	7,786
Deferred Revenue	122,260
Accrued Compensated Absences	9,244
TOTAL LIABILITIES	265,021
NET ASSETS:	
Invested in Capital Assets	8,427
Unrestricted	55,812
TOTAL NET ASSETS	\$ 64,239

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Activities
Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues	Governmental Activities
		Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Administration	\$ 281,448	\$ 254,515	\$ (26,933)
Supportive Services	118,508	118,508	-
Training Services	503,533	503,533	-
Direct Client Services	250,149	250,149	-
Information & Technology	24,756	24,649	(107)
Employment Services	85,878	85,878	-
Other Programmatic	251,895	248,537	(3,358)
Core Services	170,744	170,744	-
Intensive Services	190,184	190,184	-
In-School Youth	234,606	234,606	-
Out-of School Youth	189,150	189,150	-
Depreciation - Unallocated	2,808	-	(2,808)
Total Governmental Activities	<u>\$ 2,303,659</u>	<u>\$ 2,270,453</u>	<u>(33,206)</u>
General Revenues:			
Other Local Sources - General			25,411
Investment Earnings			<u>2,468</u>
Total General Revenues			<u>27,879</u>
Changes in Net Assets			<u>(5,327)</u>
Net Assets - Beginning			<u>69,566</u>
Net Assets - Ending			<u><u>\$ 64,239</u></u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Balance Sheet
Governmental Funds
June 30, 2007**

	General	Strategic Planning Initiative	WIA Adult	WIA Youth	WIA Administration	WIA Dislocated Worker	MI Prisoner Re-Entry 9/07
ASSETS:							
Cash & Investments - Unrestricted	\$ -	\$ 16,035	\$ 47,603	\$ 25,897	\$ 45,393	\$ 37,070	\$ -
Receivables:							
Grants	-	-	-	15,918	-	-	16,088
Accounts	-	-	-	-	-	-	3,530
Due from Other Funds	-	34,824	-	-	-	-	-
Prepaid Expenses	16,612	1,250	-	-	-	-	-
TOTAL ASSETS	\$ 16,612	\$ 52,109	\$ 47,603	\$ 41,815	\$ 45,393	\$ 37,070	\$ 19,618
LIABILITIES:							
Due to Other Funds	\$ 2,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,071
Accounts Payable	785	-	38,352	41,796	485	23,433	7,114
Accrued Liabilities	33	-	28	19	2,776	19	433
Deferred Revenue	-	-	9,223	-	42,132	13,618	-
TOTAL LIABILITIES	3,665	-	47,603	41,815	45,393	37,070	19,618
FUND BALANCES:							
Unreserved:							
Designated	-	52,109	-	-	-	-	-
Undesignated	12,947	-	-	-	-	-	-
TOTAL FUND BALANCES	12,947	52,109	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,612	\$ 52,109	\$ 47,603	\$ 41,815	\$ 45,393	\$ 37,070	\$ 19,618

See accompanying notes to financial statements.

Eastern Upper Peninsula Employment and Training Consortium

Balance Sheet Governmental Funds June 30, 2007

	21st Century Workforce	TANF Work First - 9/06	TANF Work First - 9/07	Community Corrections - 9/07	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Investments - Unrestricted	\$ 23,030	\$ -	\$ 3,261	\$ -	\$ 20,881	\$ 219,170
Receivables:						
Grants	-	-	13,763	19,962	14,540	80,271
Accounts	-	-	-	-	-	3,530
Due from Other Funds	-	-	-	-	-	34,824
Prepaid Expenses	-	-	-	-	-	17,862
TOTAL ASSETS	\$ 23,030	\$ -	\$ 17,024	\$ 19,962	\$ 35,421	\$ 355,657
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 13,470	\$ 6,436	\$ 34,824
Accounts Payable	10	-	96	5,858	7,802	125,731
Accrued Liabilities	-	-	1,304	542	2,632	7,786
Deferred Revenue	23,020	-	15,624	92	18,551	122,260
TOTAL LIABILITIES	23,030	-	17,024	19,962	35,421	290,601
FUND BALANCES:						
Unreserved:						
Designated	-	-	-	-	-	52,109
Undesignated	-	-	-	-	-	12,947
TOTAL FUND BALANCES	-	-	-	-	-	65,056
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,030	\$ -	\$ 17,024	\$ 19,962	\$ 35,421	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						8,427
Compensated absences liability						(9,244)
Net assets of governmental activities						\$ 64,239

See accompanying notes to financial statements.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2007**

	General	Strategic Planning Initiative	WIA Adult	WIA Youth	WIA Administration	WIA Dislocated Worker	MI Prisoner Re-Entry 9/07
REVENUES:							
Federal Sources	\$ -	\$ -	\$ 501,807	\$ 419,851	\$ 122,874	\$ 284,682	\$ -
State Sources	-	-	-	-	-	-	20,096
Local Sources	25,411	-	-	-	-	-	-
Interest on Deposits	-	2,323	31	23	20	20	-
TOTAL REVENUES	25,411	2,323	501,838	419,874	122,894	284,702	20,096
EXPENDITURES:							
Administration	22,724	6,062	-	-	122,894	-	1,808
Supportive Services	-	-	-	-	-	-	-
Training Services	-	-	302,043	-	-	161,394	-
Direct Client Services	-	-	-	-	-	-	-
Information & Technology	-	-	-	-	-	-	-
Employment Services	-	-	-	-	-	-	-
Other Programmatic	-	750	-	-	-	-	18,288
In-School Youth	-	-	-	230,724	-	-	-
Core Services	-	-	106,909	-	-	45,214	-
Intensive Services	-	-	92,886	-	-	78,094	-
Out-of School Youth	-	-	-	189,150	-	-	-
TOTAL EXPENDITURES	22,724	6,812	501,838	419,874	122,894	284,702	20,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,687	(4,489)	-	-	-	-	-
FUND BALANCES, JULY 1	10,260	56,598	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ 12,947	\$ 52,109	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2007**

	21st Century Workforce	TANF Work First - 9/06	TANF Work First - 9/07	Community Corrections 9/07	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Federal Sources	\$ 9,088	\$ 127,378	\$ 217,877	\$ -	\$ 363,224	\$ 2,046,781
State Sources	-	-	-	96,729	106,847	223,672
Local Sources	-	-	-	-	-	25,411
Interest on Deposits	-	-	26	-	25	2,468
TOTAL REVENUES	9,088	127,378	217,903	96,729	470,096	2,298,332
EXPENDITURES:						
Administration	1,173	18,684	25,168	25,927	59,006	283,446
Supportive Services	-	49,447	14,257	-	54,804	118,508
Training Services	-	-	-	-	40,096	503,533
Direct Client Services	-	59,247	159,981	-	30,921	250,149
Information & Technology	-	-	18,497	-	6,152	24,649
Employment Services	-	-	-	-	85,878	85,878
Other Programmatic	7,915	-	-	70,802	151,532	249,287
In-School Youth	-	-	-	-	3,882	234,606
Core Services	-	-	-	-	18,621	170,744
Intensive Services	-	-	-	-	19,204	190,184
Out-of School Youth	-	-	-	-	-	189,150
TOTAL EXPENDITURES	9,088	127,378	217,903	96,729	470,096	2,300,134
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	(1,802)
FUND BALANCES, JULY 1	-	-	-	-	-	66,858
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,056

See accompanying notes to financial statements.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2007**

Net Changes in fund balances – total governmental funds \$ (1,802)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense (\$2,808). (2,808)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the following net changes.

Compensated absences (717)

Changes in net assets of governmental activities \$ (5,327)

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eastern Upper Peninsula Employment and Training Consortium conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Consortium:

A – Reporting Entity:

E.U.P. Employment and Training Consortium was established to provide training and education services to displaced workers and individuals seeking to enter the work place. Its service area includes Luce County, Chippewa County, and Mackinac County. Board members consist of governmental officials as well as members of private industry.

Due to changes by the State of Michigan, which were effective July 1, 1997, the training and education services are administered by outside providers. The funding continues to flow through E.U.P. Employment and Training Consortium. The Consortium is responsible for monitoring these providers. The service providers are subcontractors of the Consortium.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest on deposits are reported as general revenue.

The Consortium first utilizes restricted resources to finance qualifying activities.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are used to account for the government's general activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Consortium reports the following major governmental funds:

General Fund

This is the Consortium's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Strategic Planning Initiative

This fund accounts for the strategic planning of workforce development activities in addition to those using federal funds.

WIA Adult

This fund accounts for training and job placement for adults.

WIA Youth

This fund accounts for training and job placement for youths.

WIA Administration

This fund accounts for the administration of the WIA programs.

WIA Dislocated Worker

This fund accounts for training and job placement for dislocated workers.

MI Prisoner Re-Entry

This fund accounts for the comprehensive planning and budgeting for the Upper Peninsula Michigan Prisoner Re-entry Initiative Program which begins October 1, 2007.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21st Century Workforce

This fund accounts for planning analysis of the job force in the Eastern Upper Peninsula.

TANF - Work First

This fund accounts for services to welfare recipients designed to increase self-sufficiency.

Community Corrections

This fund accounts for the publicly funded program established by Public Act 511 to provide alternative sentencing options for certain offenders, reduce prison commitment rates, and enhance the use of County jails.

Additionally, the Consortium reports the following fund types:

Special Revenue Funds

These funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All receivables are shown as net of allowance for uncollectible amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items – Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	7 to 30 years
Furniture and Equipment	5 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental-type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or in which such events take place.

There is vesting of accumulated unpaid vacation leave beyond the current fiscal year; however, there is no vesting of unpaid sick leave. At June 30, 2007 the liability for unpaid vacation leave was \$9,244.

Cost Allocation - Joint costs are allocated to benefiting programs using time and attendance allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel - Agency personnel time is identified by cost category such as administration, training, or intensive services, and information technology based on job functions and is charged to those particular cost pools. The cost pools are then allocated to various funding sources based on the percentage of direct personnel charges for the period. All direct costs are identified as such and charged to the appropriate funding source and cost category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Space Costs - Space costs (maintenance, utilities, insurance, etc.) are charged to the administrative, training related, or direct training cost pools, based on square footage and then utilization, then further allocated based on time and attendance or participant enrollment.

Other Joint Costs - Other joint costs are charged to agency programs based on the amounts used by each program or other appropriate methodology.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Deferred Revenues - The Consortium reports deferred revenue on its balance sheet. Deferred revenues arise when resources are received by the Consortium before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Consortium has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Prior to the beginning of the fiscal year, Consortium administration personnel prepare the budget for all governmental funds. The budgets are reviewed and approved by the appropriate state or federal governing body for final approval. The budgets lapse at the program year end period.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Consortium's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents - Unrestricted	<u>\$ 219,170</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Checking	\$ 173,412
Savings	758
Certificate of Deposits	<u>45,000</u>
	<u>\$ 219,170</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Consortium's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Consortium's investment policy does not have specific limits in excess of state law on investment credit risk. The Consortium has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Consortium's deposits may not be returned. State law does not require and the Consortium does not have a policy for deposit custodial credit risk. As of year end, \$145,758 of the Consortium's bank balance of \$243,688 was covered by federal depository insurance according to FDIC regulations.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Consortium to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Consortium's deposits and investment policy are in accordance with statutory authority.

These deposits are in two financial institutions. The accounts are in the name of the Consortium. They are recorded in Consortium records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets being depreciated:				
Leasehold Improvements	\$ 19,659	\$ -	\$ -	\$ 19,659
Furniture and Equipment	<u>24,625</u>	<u>-</u>	<u>-</u>	<u>24,625</u>
Subtotal	<u>44,284</u>	<u>-</u>	<u>-</u>	<u>44,284</u>
Less accumulated depreciation for:				
Leasehold Improvements	(8,424)	(2,808)	-	(11,232)
Furniture and Equipment	<u>(24,625)</u>	<u>-</u>	<u>-</u>	<u>(24,625)</u>
Subtotal	<u>(33,049)</u>	<u>(2,808)</u>	<u>-</u>	<u>(35,857)</u>
Total Capital Assets – Net of Depreciation	<u>\$ 11,235</u>	<u>\$ (2,808)</u>	<u>\$ -</u>	<u>\$ 8,427</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$(2,808). The Consortium determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Consortium reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assts/balance sheet for governmental funds.

Interfund balances at June 30, 2007 consisted of the following:

		DUE FROM				
DUE TO		General Fund	MI Prisoner Re-Entry	Community Corrections 09/07	Nonmajor Funds	Total
	Strategic Planning	\$ 2,847	\$ 12,071	\$ 13,470	\$ 6,436	\$ 34,824
	Total	\$ 2,847	\$ 12,071	\$ 13,470	\$ 6,436	\$ 34,824

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - ACCOUNTS PAYABLE

The Consortium's accounts payable balance as of June 30, 2007 consists of the following:

Consolidated Community Schools	\$ 106,797
Other - Vendors	<u>18,934</u>
Total	<u>\$ 125,731</u>

NOTE 7 - RISK MANAGEMENT

Risk Management – The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To lower the risk of such loss, the Consortium procures insurance in accordance with the guidelines set forth by the State of Michigan regarding coverage type and amounts.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - CONTINGENT LIABILITIES

The Consortium receives significant financial assistance from federal and state agencies in the form of grants. The distribution of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination by the grantor agency. Any disallowed claims resulting from such examination could become a liability of the applicable special revenue fund. It is the opinion of the administration that any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Consortium at June 30, 2007.

The Consortium has outstanding contractual obligations to service providers in the amount of \$106,797. Amounts are payable as contract services are provided.

NOTE 9 - LEASE COMMITMENTS

The Consortium currently leases office space on Easterday Avenue from an individual for their main office. The monthly payments are \$4,750 from July 1, 2006 through June 30, 2010. The lease contains a cancellation provision in the event that the Consortium's present funding is terminated and an option to renew for an additional three (3) year period commencing July 1, 2010. Total expense for the fiscal year end June 30, 2007 was \$57,000.

The Consortium's future minimum rental commitments for the aforementioned lease agreement accounted for as an operating lease at June 30, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2008	57,000
2009	57,000
2010	<u>57,000</u>
	<u>\$ 171,000</u>

The Consortium also leases offices in St. Ignace and Newberry. The St. Ignace lease is on a month-to-month basis for \$490 per month. The Newberry lease is on a month-to-month basis at \$892 per month.

The Consortium also has a lease agreement for allocation of space, workstations/furniture, rent, and utilities/maintenance with the Michigan Works! Service Center office in Sault Ste. Marie. There is no set lease term for the allocation as it is based on future considerations such as staffing and funding. The lease terms require monthly payments of \$665.

NOTE 10 - RELATED PARTIES

Federal program participants in some cases are related to members of management. Program related participant costs remitted on behalf of related parties was \$0 for fiscal 2007.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The E.U.P. Employment and Training Consortium participates in the Chippewa County pension plan. The following is a description of that plan:

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll for June 1, 2006 through December 31, 2006 was 3.45% and for January 1, 2007 through June 30, 2007 was 4.20%.

Annual Pension Cost

During the fiscal year ended June 30, 2007, the Consortium's contributions totaling \$6,422 were made in accordance with the contribution requirement determined by MERS. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to Financial Statements
June 30, 2007**

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Employees of the Consortium are required to contribute 3% of their gross wages to the plan. During the fiscal year ended June 30, 2007, employees contributed \$5,028 to the plan.

Three year trend information as of December 31 follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 1,127,528	\$ 1,176,164	\$ 1,239,121
Actuarial Accrued Liability	1,093,974	1,136,038	1,190,425
Unfunded AAL	(33,554)	(40,126)	(48,696)
Funded Ratio	103 %	104%	104%
Covered Payroll	121,721	156,825	161,862
UAAL as a Percentage of Covered Payroll	0%	0%	0%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 8,357	100%	0%
2005	7,835	100%	0%
2006	6,604	100%	0%

NOTE 12 - DESIGNATED FUND BALANCE

Fund balance is designated in the amount of \$52,109. These funds may be used for activities that are in keeping with the goals of the Consortium's Strategic Plan.

Required Supplementary Information

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ 25,411	\$ 25,411	\$ 25,411	\$ -
TOTAL REVENUES	25,411	25,411	25,411	-
EXPENDITURES:				
Administration	25,195	25,215	22,724	2,491
TOTAL EXPENDITURES	25,195	25,215	22,724	2,491
EXCESS OF REVENUES OVER EXPENDITURES	\$ 216	\$ 196	2,687	\$ 2,491
FUND BALANCE, JULY 1			10,260	
FUND BALANCE, JUNE 30			\$ 12,947	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
Strategic Planning Initiative
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest on Deposits	\$ 2,000	\$ 2,290	\$ 2,323	\$ 33
TOTAL REVENUES	2,000	2,290	2,323	33
EXPENDITURES:				
Administration	9,100	6,736	6,062	674
Other Programmatic	750	250	750	(500)
TOTAL EXPENDITURES	9,850	6,986	6,812	174
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ (7,850)</u>	<u>\$ (4,696)</u>	(4,489)	<u>\$ (141)</u>
FUND BALANCE, JULY 1			<u>56,598</u>	
FUND BALANCE, JUNE 30			<u>\$ 52,109</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
WIA-Adult
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 417,406	\$ 545,549	\$ 501,807	\$ (43,742)
Interest on Deposits	-	-	31	31
TOTAL REVENUES	417,406	545,549	501,838	(43,711)
EXPENDITURES:				
Training Services	-	-	302,043	(302,043)
Core Services	-	-	106,909	(106,909)
Intensive Services	-	-	92,886	(92,886)
TOTAL EXPENDITURES	417,406	545,549	501,838	43,711
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
WIA-Youth
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 361,414	\$ 500,310	\$ 419,851	\$ (80,459)
Interest on Deposits	-	-	23	23
TOTAL REVENUES	361,414	500,310	419,874	(80,436)
EXPENDITURES:				
In-School Youth	252,990	275,170	230,724	44,446
Out-of-School Youth	108,424	225,140	189,150	35,990
TOTAL EXPENDITURES	361,414	500,310	419,874	80,436
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
WIA Administration
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 115,974	\$ 171,160	\$ 122,874	\$ (48,286)
Interest on Deposits	-	-	20	20
TOTAL REVENUES	115,974	171,160	122,894	(48,266)
EXPENDITURES:				
Administration	115,974	171,160	122,894	48,266
TOTAL EXPENDITURES	115,974	171,160	122,894	48,266
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
WIA-Dislocated Worker
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 264,941	\$ 316,041	\$ 284,682	\$ (31,359)
Interest on Deposits	-	-	20	20
TOTAL REVENUES	264,941	316,041	284,702	(31,339)
EXPENDITURES:				
Training Services	-	-	161,394	(161,394)
Core Services	-	-	45,214	(45,214)
Intensive Services	-	-	78,094	(78,094)
TOTAL EXPENDITURES	264,941	316,041	284,702	31,339
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
MI Prisoner Re-Entry - 9/07
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 41,400	\$ 41,400	\$ 20,096	\$ (21,304)
TOTAL REVENUES	41,400	41,400	20,096	(21,304)
EXPENDITURES:				
Administration	4,140	4,140	1,808	2,332
Other Programmatic	37,260	37,260	18,288	18,972
TOTAL EXPENDITURES	41,400	41,400	20,096	21,304
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
21st Century Workforce
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 43,201	\$ 43,201	\$ 9,088	\$ (34,113)
TOTAL REVENUES	43,201	43,201	9,088	(34,113)
EXPENDITURES:				
Administration	4,320	4,320	1,173	3,147
Other Programmatic	38,881	38,881	7,915	30,966
TOTAL EXPENDITURES	43,201	43,201	9,088	34,113
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
TANF - Work First 9/06
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 127,378	\$ 127,378	\$ 127,378	\$ -
TOTAL REVENUES	127,378	127,378	127,378	-
EXPENDITURES:				
Administration	18,684	18,684	18,684	-
Supportive Services	49,447	49,447	49,447	-
Direct Client Services	59,247	59,247	59,247	-
TOTAL EXPENDITURES	127,378	127,378	127,378	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
TANF - Work First 9/07
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 329,829	\$ 303,085	\$ 217,877	\$ (85,208)
Interest on Deposits	-	-	26	26
TOTAL REVENUES	329,829	303,085	217,903	(85,182)
EXPENDITURES:				
Administration	39,579	36,370	25,168	11,202
Supportive Services	30,000	35,500	14,257	21,243
Direct Client Services	235,250	206,839	159,981	46,858
Information & Technology	25,000	24,376	18,497	5,879
TOTAL EXPENDITURES	329,829	303,085	217,903	85,182
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			<u>\$ -</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplementary Information
Budgetary Comparison Schedule
Community Corrections 9/07
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 127,000	\$ 127,000	\$ 96,729	\$ (30,271)
TOTAL REVENUES	127,000	127,000	96,729	(30,271)
EXPENDITURES:				
Administration	38,291	38,291	25,927	12,364
Other Programmatic	88,709	88,709	70,802	17,907
TOTAL EXPENDITURES	127,000	127,000	96,729	30,271
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

Other Supplementary Information

Eastern Upper Peninsula Employment and Training Consortium

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds									
	GF/GP WtoW 9/07	GF/GP WtoW 9/06	Disability Navigator Initiative	Dislocated Worker Scholarship	WIA Statewide WF Support	Food Stamp E&T - 9/06	Food Stamp E&T - 9/07	DDJRP 9/05	DDJRP 9/06	Employment Services
ASSETS:										
Cash and Cash Equivalents	\$ 6,312	\$ -	\$ -	\$ 129	\$ -	\$ -	\$ 541	\$ -	\$ -	\$ 7,944
Receivables:										
Grants	-	-	353	-	11,619	-	2,173	-	-	-
TOTAL ASSETS	\$ 6,312	\$ -	\$ 353	\$ 129	\$ 11,619	\$ -	\$ 2,714	\$ -	\$ -	\$ 7,944
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ 353	\$ -	\$ 6,083	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	30	-	-	-	612	-	3	-	-	3,206
Accrued Liabilities	85	-	-	129	32	-	-	-	-	626
Deferred Revenue	6,197	-	-	-	4,892	-	2,711	-	-	4,112
TOTAL LIABILITIES	6,312	-	353	129	11,619	-	2,714	-	-	7,944
FUND BALANCES:										
Unreserved:										
Undesignated	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,312	\$ -	\$ 353	\$ 129	\$ 11,619	\$ -	\$ 2,714	\$ -	\$ -	\$ 7,944

Eastern Upper Peninsula Employment and Training Consortium

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds									
	Reed Act Work First 9/05	Reed Act Work First 9/06	WIA One Stop	Community Corrections 9/05	WIA Incentive	WIA - Youth Statewide Activity Grant	WIA-Incumbent Worker	WIA Capacity Building	WIA Displaced Homemaker	Totals
ASSETS:										
Cash and Cash Equivalents	\$ -	\$ -	\$ 2,276	\$ -	\$ -	\$ -	\$ 120	\$ -	\$ 3,559	\$ 20,881
Receivables:										
Grants	-	-	-	-	-	-	315	-	80	14,540
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ 3,639</u>	<u>\$ 35,421</u>
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,436
Accounts Payable	-	-	49	-	-	-	382	-	3,520	7,802
Accrued Liabilities	-	-	1,588	-	-	-	53	-	119	2,632
Deferred Revenue	-	-	639	-	-	-	-	-	-	18,551
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435</u>	<u>-</u>	<u>3,639</u>	<u>35,421</u>
FUND BALANCES:										
Unreserved:										
Undesignated	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ 3,639</u>	<u>\$ 35,421</u>

Eastern Upper Peninsula Employment and Training Consortium

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Funds										
	GF/GP WtoW 9/06	GF/GP WtoW 9/07	Disability Navigator Initiative	Dislocated Worker Scholarship	WIA Statewide WF Support	Food Stamp E&T - 9/06	Food Stamp E&T - 9/07	DDJRP 9/06	DDJRP 9/07	Employment Services
REVENUES:										
Federal Sources	\$ -	\$ -	\$ 8,853	\$ 15,889	\$ 6,727	\$ 5,368	\$ 13,404	\$ -	\$ -	\$ 106,145
State Sources	14,944	60,892	-	-	-	-	-	850	2,085	-
Interest on Deposit	-	3	-	-	-	-	1	-	-	15
TOTAL REVENUES	14,944	60,895	8,853	15,889	6,727	5,368	13,405	850	2,085	106,160
EXPENDITURES:										
Administration	3,575	5,165	1,000	1,589	-	375	693	-	-	20,307
Supportive Services	-	53,534	-	-	-	520	750	-	-	-
Training Services	-	-	-	14,300	-	-	-	-	-	-
Direct Client Services	5,217	2,196	-	-	-	382	11,962	-	-	-
Information & Technology	6,152	-	-	-	-	-	-	-	-	-
Employment Services	-	-	-	-	-	-	-	-	-	85,878
Other Programmatic	-	-	7,853	-	-	4,091	-	850	2,085	(25)
In-School Youth	-	-	-	-	-	-	-	-	-	-
Core Services	-	-	-	-	6,727	-	-	-	-	-
Intensive Services	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	14,944	60,895	8,853	15,889	6,727	5,368	13,405	850	2,085	106,160
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, JULY 1	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Eastern Upper Peninsula Employment and Training Consortium

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds									Totals
	Reed Act Work First 9/06	Reed Act Work First 9/07	WIA One Stop	Community Corrections 9/06	WIA Incentive	WIA - Youth Statewide Activity Grant	WIA-Incumbent Worker	WIA Capacity Building	WIA Displaced Homemaker	
REVENUES:										
Federal Sources	\$ -	\$ 12,258	\$ 54,361	\$ -	\$ 15,143	\$ 4,313	\$ 15,883	\$ 72,000	\$ 32,880	\$ 363,224
State Sources	-	-	-	28,076	-	-	-	-	-	106,847
Interest on Deposit	-	-	4	-	-	-	-	-	2	25
TOTAL REVENUES	-	12,258	54,365	28,076	15,143	4,313	15,883	72,000	32,882	470,096
EXPENDITURES:										
Administration	-	1,094	5,443	10,880	1,514	431	1,588	1,440	3,912	59,006
Supportive Services	-	-	-	-	-	-	-	-	-	54,804
Training Services	-	-	-	-	289	-	14,295	-	11,212	40,096
Direct Client Services	-	11,164	-	-	-	-	-	-	-	30,921
Information & Technology	-	-	-	-	-	-	-	-	-	6,152
Employment Services	-	-	-	-	-	-	-	-	-	85,878
Other Programmatic	-	-	48,922	17,196	-	-	-	70,560	-	151,532
In-School Youth	-	-	-	-	-	3,882	-	-	-	3,882
Core Services	-	-	-	-	11,894	-	-	-	-	18,621
Intensive Services	-	-	-	-	1,446	-	-	-	17,758	19,204
TOTAL EXPENDITURES	-	12,258	54,365	28,076	15,143	4,313	15,883	72,000	32,882	470,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, JULY 1	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities and each major fund of E.U.P. Employment and Training Consortium as of and for the year ended June 30, 2007, which collectively comprise the E.U.P. Employment and Training Consortium's basic financial statements and have issued our report thereon, dated October 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the E.U.P. Employment and Training Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Consortium's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Consortium's financial statements that is more than inconsequential will not be prevented or detected by the Consortium's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Consortium's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether E.U.P. Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of E.U.P. Employment and Training Consortium in a separate letter October 2, 2007.

This report is intended solely for the information and use of the Board of Directors of E.U.P. Employment and Training Consortium, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2007



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
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MEMBER AICPA
DIVISION FOR CPA FIRMS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

Compliance

We have audited the compliance of the E.U.P. Employment and Training Consortium with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Consortium's management. Our responsibility is to express an opinion on the Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Consortium's compliance with those requirements.

In our opinion, the Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Consortium's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over compliance.

A control deficiency in a Consortium's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Consortium's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Consortium's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors of E.U.P. Employment and Training Consortium, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2007

Eastern Upper Peninsula Employment and Training Consortium

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	2007 Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Pass-through programs from the Michigan Dept. of Career Development (MDCD):</i>			
Food Stamp Employment & Training - 10/1/06 to 9/30/07	10.561	-	\$ 13,404
Food Stamp Employment & Training - 10/1/05 to 9/30/06	10.561	-	5,368
Total - U.S. Department of Agriculture			18,772
U.S. DEPARTMENT OF LABOR:			
<i>Pass-through programs from the Michigan Dept. of Career Development (MDCD):</i>			
Reed Act - Work First - 10/1/06 to 9/30/07	17.xxx	-	12,258
Employment Service	17.207	-	106,145
WIA - Adult	17.258	-	501,807
WIA Statewide - Youth	17.258	-	1,203
WIA Statewide - Work First Support	17.258	-	1,727
WIA Statewide - Performance Incentive	17.258	-	4,223
WIA Statewide - Capacity Building	17.258	-	20,081
WIA Statewide - One Stop Service Center	17.258	-	15,161
WIA Statewide - Displaced Homemaker	17.258	-	9,170
WIA Statewide - Youth	17.259	-	1,108
WIA - Youth	17.259	-	419,851
WIA Statewide - Work First Support	17.259	-	1,589
WIA Statewide - Performance Incentive	17.259	-	3,889
WIA Statewide - Capacity Building	17.259	-	18,490
WIA Statewide - One Stop Service Center	17.259	-	13,960
WIA Statewide - Displaced Homemaker	17.259	-	8,444
WIA Rapid Response - Incumbent Worker	17.260	-	15,883
WIA Rapid Response - Dislocated Worker Scholarship	17.260	-	15,889
WIA Rapid Response - 21st Century Workforce	17.260	-	9,088
WIA - Dislocated Worker	17.260	-	284,682
WIA Statewide - Youth	17.260	-	2,002
WIA Statewide - Work First Support	17.260	-	3,411
WIA Statewide - Performance Incentive	17.260	-	7,031
WIA Statewide - Capacity Building	17.260	-	33,429
WIA Statewide - One Stop Service Center	17.260	-	25,240
WIA Statewide - Displaced Homemaker	17.260	-	15,266
WIA - Admin	17.258; 17.259; 17.260	-	122,874
Work Incentive Grant - Disability Navigator Grant	17.266	-	8,853
Subtotal - MDCD			1,682,754
Total - U.S. Department of Labor			1,682,754
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Pass-through programs from the Michigan Dept. of Career Development (MDCD):</i>			
TANF - Work First - 10/1/06 to 9/30/07	93.558	-	217,877
TANF - Work First - 10/1/05 to 9/30/06	93.558	-	127,378
Total - U.S. Department of Health and Human Services			345,255
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,046,781

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to the Schedule of
Expenditures of Federal Awards
Year Ended June 30, 2007**

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of E. U. P. Employment and Training Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Labor is the oversight agency of the E. U. P. Employment and Training Consortium, as this federal agency provided the largest amount of indirect federal funding. The E. U. P. Employment and Training Consortium did not receive any direct federal funding during the fiscal year.

NOTE C - SUBRECIPIENTS:

Of the federal expenditures presented in the schedule, E. U. P. Employment and Training Consortium provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
NTI – Food Assistance	10.561	\$ 16,323
CCSS – Employment Services	17.207	69,262
CCSS – WIA - Adult	17.258	480,867
CCSS – WIA - Youth	17.259	410,290
CCSS – WIA - Youth Statewide Activity	17.258, 17.259, 17.260	3,882
CCSS – WIA - Dislocated Worker	17.260	273,460
CCSS – Dislocated Worker - Scholarship	17.260	12,998
NTI – TANF - Work First	93.558	210,420
CCSS – Incumbent Worker	17.260	13,599
CCSS – WIA Incentive	17.258, 17.259, 17.260	12,500
CCSS – WIA Displaced Homemaker	17.258, 17.259, 17.260	28,120
Total federal awards provided to subrecipients		<u>\$ 1,531,721</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:

CFDA Numbers

Name of Federal Program or Cluster

17.258, 17.259, 17.260	Workforce Investment Act – (WIA Cluster)
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III - Federal Award Findings and Questioned Costs

NONE.

Section II – Financial Statement Findings

NONE.



ANDERSON, TACKMAN & COMPANY, PLC
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KINROSS OFFICE

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REPORT TO MANAGEMENT

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the basic financial statements of the E.U.P. Employment and Training Consortium, Michigan for the period ended June 30, 2007, and have issued our reports thereon dated October 2, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered E.U.P. Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the E.U.P. Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about E.U.P. Employment and Training Consortium's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on E.U.P. Employment and Training Consortium's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on E.U.P. Employment and Training Consortium's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the E.U.P. Employment and Training Consortium are described in Note 1 to the financial statements. We noted no transactions entered into by the E.U.P. Employment and Training Consortium during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the E.U.P. Employment and Training Consortium's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the E.U.P. Employment and Training Consortium, either individually or in the aggregate, indicate matters that could have a significant effect on the E.U.P. Employment and Training Consortium's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the E.U.P. Employment and Training Consortium's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the E.U.P. Employment and Training Consortium's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention. Other comments and recommendations were communicated orally with management.

Approved Budget (Prior Year)

We also noted the budgets were not approved until December 2005. We recommend the budgets be adopted prior to the beginning of the fiscal year.

Status: Corrected in fiscal year 2007.

Payroll (Prior Year)

It was noted during our review of payroll that two W-4 Forms were incomplete. It is recommended that all forms be completed at the time of hire in their entirety. It was also noted that the Director's time sheets are not approved. It is recommended that someone knowledgeable of her time should sign to verify the hours.

Status: Corrected.

Invoice Payment Approval (Prior Year)

Currently, the Board only approves invoices over \$1,000 prior to payment. The Board should approve all invoices prior to payment. The Board should establish a policy which allows payment of invoices prior to board approval for all recurring invoices (such as utilities) and in order to receive credit or avoid late fees.

Status: Corrected.

Payroll

One employee's Form I-9 was not properly completed. Although the form was completed at the time of our audit, it is recommended that all forms be completed in their entirety and maintained on file.

Closed Grants

It was noted during our testing of cash that three closed grant funds have an immaterial cash balance at year end. Because the organization operates with grant funding, the balance sheet should always end with zero balances at the end of the grant period. It is recommended that if the balance sheet does not zero out at the end of the grant period, staff should look into why and adjust the general ledger as necessary.

Response: Balances remaining in the closed grants occurred in prior years, dating back as far as 2003. Our accounting software's default programming does not allow us to make the journal entries suggested by our auditors to remove these balances.

Cash

Reconciled cash did not agree to the general ledger at June 30, 2007. Although the amount is deemed immaterial, it is recommended that when cash is reconciled any difference be investigated and adjusted.

Response: June's cash was reconciled in July. In August, June expenditures were expensed to June; however, in error, cash was also credited in June. At this point, due to a default in the accounting software, an accounts payable could not be created for June 30th. General ledger cash for the month of August reconciles with the August bank statement.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "Fraud Policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99

Check Copies

Due to changes in bank practices, the Organization does not receive cancelled checks. The Organization should contact the bank to obtain "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This report is intended solely for the information and use of the Board of Directors of the E.U.P. Employment and Training Consortium, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson, Tackman & Co., PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2007